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SUBJECT: PRC/SCO: MFA DISCUSSES SCO MILITARY EXERCISES,
REPORTS NO PLANS TO ADMIT NEW MEMBERS

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Classified By: Political External Unit Chief Edgard
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Summary

11. (C) The Shanghai Cooperation Organization's (SCO) recent decision to conduct a joint counterterrorism exercise in Russia in 2007 is based largely on the experience of the 2005 China-Russia military exercise, but no regular mechanism for joint military drills has so far been established, according to an MFA official responsible for SCO affairs. The June SCO Summit in Shanghai will focus on implementing specific economic cooperation programs intended to bring tangible benefits to member states, as well as feature the selection of new SCO Secretary General (likely to be a Kazakh) and Regional

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Anti-Terrorism Structure (RATS) Executive Committee Director. The SCO will not admit any new members this year but will consider applications for observer status from Belarus and Sri Lanka. The SCO has not created any legal framework for security cooperation with APEC, while a memorandum of understanding reached by the SCO and ASEAN last year has not generated any concrete results in the counterterrorism field. Because China has responded to most financial assistance requests from SCO members, the actual amount Beijing allocated to member states in preferential loans will likely exceed the USD 900 million it pledged in 2004. End Summary.

2007 Joint Counterterrorism Exercise

12. (C) The decision to conduct a Shanghai Cooperation Organization (SCO) joint counterterrorism exercise in Russia in 2007, which was announced at the April 26 SCO defense ministers' meeting in Beijing (Ref A), was based largely on the experience of the 2005 China-Russia military exercise, Deputy Director of the MFA Department of European and Central Asian Affairs Department Fifth (SCO) Division Wang Wenli told poloffs on April 28. Because last year's exercise was held in China, Russia was selected to host the upcoming one. While noting that SCO security cooperation also includes regular contacts between member states' law enforcement and border security agencies, Wang remarked that the objective of next year's exercise is to improve SCO countries' collective defense and military

capabilities. A regular mechanism for military exercises has not yet been established and there are currently no plans for annual joint exercises. She commented, nonetheless, that SCO military cooperation remains very flexible, highlighting the 2003 China-Kyrgyz and the March 2006 Uzbek-Kyrgyz-Tajik military exercises officially conducted under SCO auspices. Further consultations between member states are necessary to finalize the details of the 2007 joint exercise, including the number of troops, type of weapons, specific scenarios and financial contributions related to the activity, Wang said.

Prospects for the June Shanghai Summit

¶3. (C) The agenda of the Shanghai SCO Summit in June will cover five main areas, according to Wang. In addition to commemorating the fifth anniversary of the SCO's founding, heads of state will evaluate the organization's progress since its inception in 2001 as well as reviewing the past year's accomplishments. Second, the Summit will feature discussions of major international and regional issues. Third, a new Secretary General and Regional Anti-Terrorism Structure (RATS) Executive Committee Director will be selected for a three year term starting in 2007. According to existing rotation guidelines, the Secretary General post will be given to Kazakhstan, but the recipient country of the RATS Executive Committee Directorship has not yet been decided, Wang stated.

¶4. (C) Stressing that the SCO has attempted to expand its cooperation to encompass political, security, economic, cultural and various other areas, Wang said that the fourth item on the agenda is to discuss ways to achieve "concrete

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results," specifically in improving member countries' economic conditions. Given that the legal framework is now in place, it is crucial to generate tangible benefits for SCO countries in specific fields, including education and economic assistance. In the security realm, member countries will deepen discussions on jointly combating the "Three Evil Forces" (terrorism, separatism and extremism) as well as narcotics trafficking. They will focus on the particular steps necessary to implement SCO security agreements in areas such as the collective investigation of criminal cases.

News Observers Possible, But No New Members

¶5. (C) The fifth item on the Summit agenda is the SCO's external cooperation, Wang noted. Several countries and international organizations, including the UNDP, World Customs Organization and the EU, have expressed strong interest in developing ties with the SCO. The SCO is prepared to enhance its external relations with any country or international organization that supports the SCO's principles and objectives.

¶6. (C) Wang reported that the SCO will not approve any new members during the June Summit, emphasizing that the SCO has not established any legal procedures for the absorption of new member states. (Note: Russian Embassy contacts, including the DCM and the Russian Representative to the SCO have also told us that no members will be added at the June Summit. End Note) However, the legal framework for admitting observer countries does exist, so it is possible that formal applications for observer status from Belarus and Sri Lanka will be accepted. The decision to admit new observers must be unanimous. Wang said the organization will have to consider the growing international interest in SCO observer status. That said, the SCO needs to further study the role of its observers, particularly the current ones, in the organization's overall development. Moreover,

member states must examine the impact of accepting new SCO observers and expanding the SCO's geographical scope on the organization's effectiveness, she suggested. The SCO must also look at the nature of bilateral ties between prospective observers and current members to determine the applicant's suitability. Playing down any problems stemming from India and Pakistan both serving as SCO observers, Wang stated that observer countries are required to pledge not to raise any matters unrelated to the organization in SCO forums. While observers are invited to large scale SCO events, such as summits and PM-level meetings, they are not permitted to attend smaller-scale and closed sessions, including expert meetings. Observers are also not allowed to sign SCO joint declarations and agreements.

SCO External Security Cooperation

¶7. (C) During the April 25-28 ASEAN Regional Forum (ARF) Inter-Sessional Meeting on Transnational Crime and Counter Terrorism, the Russian representative to the forum proposed the creation of a collective SCO-ASEAN-APEC counterterrorism mechanism. Asked for preliminary thoughts on the idea, Wang remarked that such a proposal might be feasible in the future, noting that that SCO Tashkent Declaration offered principled support for cooperation with Asia-Pacific international organizations. However, there is presently no legal framework for SCO security cooperation with APEC and any decision to establish a relationship with APEC must be approved by all SCO members, requiring further deliberation.

¶8. (C) Wang pointed out that in April 2005 the SCO and ASEAN Secretariats signed a memorandum of understanding covering a range of areas for cooperation. The Philippines has urged China to encourage the SCO to enhance counterterrorism cooperation with ASEAN. The SCO-ASEAN agreement, however, has to date not yielded any tangible results in terms of joint security activities. In addition to ASEAN, Wang said that the SCO has established formal ties with two other international organizations, the Commonwealth of Independent States (CIS) and the UN, which granted the SCO observer status in 2004.

SCO Funding Sources

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¶9. (C) China and Russia, the most financially capable countries in the SCO, agreed from the outset to fund the largest proportion of the SCO budget, to which each member country contributes in accordance with its economic situation, Wang explained. Funding is primarily funneled through the SCO Secretariat and RATS, and limited amounts of SCO resources are allocated for specific infrastructure projects, counterterrorism activities and equipment procurement. The USD 900 million China pledged in preferential loans to SCO members in 2004 has already been allocated, mostly for infrastructure projects. The actual disbursements will likely exceed USD 900 million, given that Beijing responded to practically all SCO members' financial assistance requests. Noting that PRC assistance to SCO countries has been delivered through bilateral channels, Wang highlighted the challenges to multilateral economic cooperation within the SCO. The recently established SCO banking liaison and entrepreneurs committees will hopefully boost economic and trade relations among member states, she remarked.

SCO Speakers Meeting

¶10. (C) Wang confirmed media reports that the first meeting of SCO parliamentary chairmen will be held May 30

in Moscow (Ref B). Member countries' parliaments already maintain close contact, so this meeting represents the transition from bilateral to multilateral cooperation among SCO legislatures.

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